

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 447 - HB 506

March 13, 2015

SUMMARY OF BILL: Authorizes a franchise tax credit of ten percent of the fair market value of qualified new equipment donated by a taxpayer to a higher education institution. Establishes that the credit shall apply only in the tax year in which the donation was made.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds \$1,915,800

Forgone State Revenue – Exceeds \$574,700

Assumptions:

- The number of taxpayers with franchise and excise tax liability that will donate equipment to a higher education institution, the amount of qualified property such taxpayers would donate, the fair market value of such property, and the frequency with which the taxpayers would choose to donate property are unknown.
- Further, it is unknown how many taxpayers would donate qualified property in the future under current law and how many will donate as a direct result of this bill.
- As a result, a precise fiscal impact cannot be determined. However, several assumptions were made in an attempt to approximate the impact of the proposed legislation.
- The Council for Aid to Education reports that colleges and universities received a record of approximately \$37,450,000,000 in donations in 2014, of which approximately 6,550,000,000 was donated to top ten schools, none of which are in Tennessee.
- Approximately \$5,800,000,000 of the total, or 15.5 percent, was donated by corporations. It is estimated that approximately \$4,789,500,000 [$(\$37,450,000,000 - \$6,550,000,000) \times 15.5\%$] was donated by corporations to schools not in the top ten.
- Assuming that higher institutions in Tennessee received two percent of that amount and that at least twenty percent of such donations is equipment that will qualify for the tax credit under this bill, the recurring decrease in state revenue, beginning in FY15-16, is estimated to exceed \$1,915,800 ($\$4,789,500,000 \text{ donation} \times 2.0\% \text{ TN share} \times 20.0\% \text{ qualified equipment} \times 10.0\% \text{ tax credit}$).
- Further assuming that the proposed franchise tax credit will result in an increase in qualified donations of at least 30 percent, which would not otherwise occur under current law, the recurring forgone state revenue is estimated to exceed \$574,740 ($\$1,915,800 \times 30.0\%$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, reading "Jeffrey L. Spalding". The signature is written in a cursive style with a large, stylized "J" and "S".

Jeffrey L. Spalding, Executive Director

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